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being of as much use to the public as was expected of it, it is the intention of Government to finance it liberally till such time as it is able to stand on its own legs. The Bank also will in due course grant loans to such industrialists who stand in need of assistance in turning to full account the resources of the State in the interests of the country. A provision of Rs 1·75 lakhs has accordingly been included in the budget.

Revenue Position.

61. Having given a general but admittedly sketchy idea of what is included in the revenue and expenditure estimates for the coming year, I shall pause to consider the revenue position of the State as revealed by the figures. The revenue of the State for the next year as has already been observed is estimated at Rs 285·40 lakhs. Excluding the account adjustment in respect of customs revenue amounting to Rs 15 lakhs, the revenue is really a little over Rs 270 lakhs, a revenue which is certainly higher than any on record so far. It may be said that the result is due to measures of taxation and that "to tax and to please no more than to love and to be wise" is not, as Edmund Burke observed, given to men. But I may state that I am confident that if the measures detailed by me are deemed to be real measures of taxation, this Government have succeeded in taxing and at the same time pleasing the people. This Government feel that unlike revenue born of extortionate taxation the revenue visualised will not be unpopular and unsteady but will become permanent and popular.

62. Let me explain the position further. Out of our revenue of Rs 270 lakhs, the principal heads of revenue contribute Rs 237·98 lakhs *i. e.* nearly 88 per cent. Of this, the quota of land revenue is 15 per cent., that of Income Tax 5 per cent., Customs 20 per cent., those of Salt and Excise 26 per cent., Forest 6 per cent., Stamp and Registration 9 per cent. The corresponding figures for Madras are roughly, Land Revenue 30 per cent., Excise 19 per cent., Stamps 10 per cent., Forest $2\frac{1}{2}$ per cent., and Registration 2 per cent. Taking Mysore, Land Revenue is 31 per cent., Incometax is 7 per cent., Excise 13 per cent., Stamps 5 per cent., Forest 6 per cent., and Registration 7 per cent. What do these figures indicate?

(*His Highness the Maharaj Rana of Dholpur then entered the Chamber escorted by the Dewan-President. His Highness was seated on the Dais and the Dewan-President resumed the Chair*).

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63. As far as direct taxation is concerned, *i. e.* Land Revenue and Income Tax, the percentage of contribution to the State Exchequer is only half that of Madras and Mysore. Indirect taxes, chiefly our customs, yield only half as much as the revenue in British India to the total revenue of the State. The contribution from our forests is not commensurate with the rich forests we have. Where there is a *quid pro quo* as in the case of Registration and Stamps, the contribution to State revenue is lower than in the other countries. This leaves us with the conclusion, not wholly self-complacent that our revenue is certainly not made up of heavy or unequal taxation.

64. Looking at it from the point of view of the individual tax payer, the taxation per head in Travancore and other places is somewhat as follows :—

	Travancore.	*Madras.*	*Mysore.*	*Central Govt.*
	Rs. as. p.	Rs. as. p.	Rs. as. p.	Rs. as. p.
Land Revenue ...	0 13 4	1 1 0	1 13 10	...
Income Tax ...	0 4 1	...	0 6 9	0 7 0
Customs ...	1 1 2	...	...	1 8 0
Salt ...	0 7 0	...	...	0 5 0
Excise ...	0 15 0	0 11 2	0 12 6	...
Forests ...	0 5 3	0 1 6	0 6 0	...

It is evident that the tax payer in Travancore is much better off than elsewhere.

65. I shall then take the revenue itself and look into the problem of its elasticity or otherwise by a study of its growth for about a quarter of a century. The following are the figures :—

	1092	*1100*	*1110*	*1116*
Land Revenue ...	35·7	43·3	30·4	42·6
Income Tax ...	nil	7·9	5·2	13·0
Salt ...	15·8	16·8	22·1	22·1
Excise ...	35·2	45·6	48·0	47·8
Customs ...	15·2	26·7	42·5	69·8
Forest ...	14·8	13·5	13·5	16·7
Stamps ...	20·5	25·1	22·6	20·8
Registration ...	5·6	7·4	4·9	5·1
Other heads ...	20·6	24·4	37·8	47 5
Total revenue ...	163·4	210·7	227·0	285·4

It will be seen that Land Revenue which suffered a setback from the Economic Depression which set in a decade ago now shows signs of revival. Income Tax and Customs, Salt and Excise have grown in more than by mere arithmetical

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progression and other items of revenue have remained more or less steady. With the industrial possibilities held out as a result of the economic development on which the Government have their heart set, a bright future for its income tax may be ensured. So also for its customs revenue, which, when the situation improves and the seaborne trade revives, is also sure to come up. But expansion of the revenue in the real sense should be looked for in entirely another direction. The Mysore State gets a fairly substantial revenue from out of its capital undertakings. It is about a sixth of its total revenue. Our undertakings, Electricity, Clay Refining and State Transport have undoubted possibilities. I expect at least half a crore of rupees from these undertakings. I shall deal with the subject a little *in extenso* at this stage.

66. First I shall take Electricity. The present capacity of the Pallivasal Station is 9000 K. W. of continuous output. Its ultimate capacity could be raised up to 31,500 K. W. with the extension of plant and duplication of transmission system. After the opening of the Scheme the response from power consumers for electricity has been very encouraging. 1500 consumers have been connected to the system and the total connected load is 4400 K. W. with a maximum demand of 2200 K. W. With the successful demonstration carried out by the department in the drainage of the Kuttanad Punja fields, a substantial demand for power in the area has been registered. A scheme for distribution of power in Vembanad Reclamation area has closely followed. The use to which electricity could be put in the matter of lift irrigation has been demonstrated by the department with the result that demand for power for paddy and cocoanut cultivation and for sugarcane crushing has arisen.

All aid is given to the prospective consumers. They are supplied with machines on the hire purchase system and the commercial section of the department demonstrates the uses to which cheap power could be put to.

But this is not all. The Aluminium Production Company of India Ltd., who desire to open a factory near Alwaye for the manufacture of Aluminium, have now agreed to purchase 4500 K. W. of power immediately from the time their factory is ready *i. e.* about 1942 to be followed by another 3000 K. W. in the next 2 years. They also propose to double their output in due course for which additional power to the extent of 6500 to 7500 K. W. will be necessary. This would mean that they would eventually take 14,500 K. W. leaving a balance of 17,000 K. W. available for use on existing industries and other objects. The rates offered to and accepted by

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the Company have been worked out on the basis of a satisfactory return to Government on the additional capital required for such extensions also bearing in mind the maximum economic limit which it will be possible for this industry to go up to. It is a matter for gratification that even at the rates now offered there will be a definite guarantee of Government being able to realise an adequate return on the additional capital required for the supply of power to this industry. Aluminium is a key metal and is most under special requisition at this moment not only for domestic and industrial use but also for manufacture of armaments. The indirect advantages which might accrue to the State when the industry is established should not also be overlooked. It is expected to bring a substantial return by way of Incometax and provide employment for a large number of operators and skilled labourers of this country. It is bound to afford scope for subsidiary industries to spring up.

Measured in terms of sale of power alone, the ultimate revenue from this part of the scheme may be taken as 10½ lakhs. The ordinary revenue from the sale of remaining power will greatly exceed Rs 20 lakhs not to take into account revenue arising indirectly from the starting of the Aluminium factory.

67. Next I shall take up the Clay Refining and Porcelain Factory at Kundara. After most careful laboratory tests and comparison carried on in England and India, it has been fully established that the Travancore clay is the best obtained in India so far as fineness, purity, plasticity and whiteness are concerned. This has been amply demonstrated by the interest evinced by many leading importers of English China clay for taking up agency for distribution and marketing of the Travancore China clay, and Government have appointed a reputed firm of traders (Industrial and Agricultural Engineering Company) as their agents for the sale of China clay to the textile mills in India. If we recall the fact that it has been repeatedly assured that the mines in the State are inexhaustible for centuries to come and also that the total import of clay in India per year is Rs 15 lakhs worth and the total import of ceramic finished goods (excluding glass) Rs 1½ crores worth and that the anticipated production in the factory has not touched even 1/8 and 1/100 respectively of the total demand in India for these materials, there seems to be much scope for the development of the industry, and a substantial addition to the revenue of the State. It is expected that there would be a daily output of 50 tons of clay assuring a revenue of nearly Rs 7 lakhs and that the manufacturing operations will yield in the long run at least 3 lakhs *i. e.* assuring on the whole a steady income of Rs 10 lakhs from the scheme.

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68. Next comes Transport; as the Honourable members are aware, the Transport Scheme is in operation since 1113. First service was started on Trivandrum-Nagercoil-Cape and Nagercoil-Colachel routes. Later on the Trivandrum Town Service and the Trivandrum-Nedumangad service were taken up. The Trivandrum-Quilon service followed and during the year 1114 the Cochin-Munnar lorry service was started. Some of the feeder routes of the main Trivandrum-Cape road were also taken over by the Department for operation and during the current year till date the following further services have been taken up *viz.*,

(i) Trivandrum-Vizhinjam,
(ii) Nagercoil-Azhakiapandipuram,
(iii) Nagercoil-Anchugramom, and
(iv) Trivandrum-Kottayam.

The following extensions are also under contemplation:—

(i) Kottayam-Alwaye,
(ii) Kottayam-Devicolam,
(iii) Kottayam-Kumily,
(iv) Alwaye-Devicolam,
(v) Alwaye-Parur,
(vi) Quilon-Shencottah, and
(vii) Quilon-Alleppey-Aroor.

It is expected that with the inauguration of these extensions and the restoration of normal conditions, the net return from the scheme would increase substantially and that the earnings of the department would by no means be an unimportant factor among the principal items of revenue which contribute to the State Exchequer.

69. With such possibilities in our fore-front I do not think that the day is far off when our revenue will exceed 3 crores assuring an income of over Rs 6 per head of our population, not a very high figure surely but not poor in comparison with other areas in India.

70. I now turn to the expenditure side. Leaving out the extra expenditure budgeted on account of the present war conditions, I have budgeted for an expenditure of Rs 261·73 lakhs. I shall set myself the same type of questionnaire as I set in the case of revenue. How much does the State spend on primary functions of Government, collection of revenue, preservation of law and order and defence, how much on development and nation building services and how much on other miscellaneous services? What amount of service measured in terms of money does each individual get? How far has the expenditure progressed during the quarter of a century?

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71. The revenue expenditure of the State, as already stated is Rs 261·73 lakhs of which nearly 20 per cent. is spent on Education, 12 per cent. on Public Works, 6 per cent. on Medical and Public Health and other activities, 11 per cent. in collection of revenue, 15 per cent. on maintenance of Law and Order including defence and rest on other services, *viz.*, Devaswoms, Palace, etc.

72. It will be interesting to notice that Madras spends about 35 per cent. of its revenue on the primary functions of Government, 16 per cent. on Education, 10 per cent. on Public Works, and 12 per cent. on Medical, Public Health and Development services, while Mysore spends 16 per cent. on Law and Order 14 per cent. on Education and 8 per cent. on Public Works.

73. To put it in other words, the cost of administration under each of the service heads here and elsewhere compares as follows:—

	Travancore.			*Mysore.*			*Madras.*		
	Rs.	As.	p.	Rs.	As.	p.	Rs.	As.	p.
Primary functions ...	0	14	0	1	0	0	1	4	0
Education ...	*1	0	0	0	14	0	0	9	0
Public Works including Irrigation ...	0	10	6	0	7	4	0	2	3
Medical, Public Health etc.	0	4	6	0	4	6	0	4	4

*Excluding University which would cost another 0-3-0.

The figures will abundantly demonstrate that the State spends more on Education, Public Health, Public Works and other activities calculated to develop the country and bring out its resources than on the so-called civil services or law and order.

74. The following figures will afford an interesting study of the growth of expenditure for the past quarter of a century.

EXPENDITURE.

(In lakhs of rupees).

	1092	*1100*	*1110*	*1116*
1. Direct Demands on Revenue..	25·1	27·5	28·5	29·8
2. Debt Services ...	3·9	4·4	6·9	11·5
3. Civil Administration (excluding Devaswoms and State Charities) ...	50·2	74·4	92·4	106·3
4. Public Works ...	23·7	33·9	35·1	33·3
5. Other items ...	50·3	60·2	68·6	95·8
Total of Expenditure ...	153·2	200·4	231·5	276·7

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It would be an eye-opener to the Honourable members that the total expenditure of the State a quarter of a century ago was only in the neighbourhood of 1¼ crores and that it rose up to 2 crores *i. e.* by 33⅓ per cent. in 1100, another 15 per cent. by 1110 and has now touched 2¾ crores. Of the increase 32 lakhs has been under Education, 18 lakhs under Medical, Public Health and Public Works. The cost of collection of revenue has not shown any appreciable increase but maintenance of law and order has increased by about 10 lakhs.

75. A doubt may however arise whether, in spite of all these features, revenue has kept pace with the expenditure, and if so, why our revenue account has not always shown a surplus. My answer to this is that a surplus budget is not always an index to the prosperity of a country and that at times it may indicate a state of affairs where people are bearing an excessive burden of taxation. Our revenue has been allowed to grow only in the normal manner and the deficits during some of the recent years are due only to extraordinary circumstances for meeting which there were sufficient resources.

76. The budget for the coming year as a whole anticipates a surplus of Rs 13·67 lakhs. It is not the intention of Government that this surplus should be merged in the balances in a manner not easily available for special or unforeseen purposes. I have already stated that Government propose to set apart Rs 5 lakhs as contribution to a Distress Relief Fund. The balance as well as whatever may eventually be available as revenue surplus in the current year will be transferred to the Revenue Reserve Fund instituted for drawal in lean years.

Capital Budget.

77. Before taking up the capital estimates, I wish to make an observation on a small alteration which I have made in the presentation of the demand. It has hitherto been the practice to show schemes expected to bring in revenue under a section of the Debt Head bearing the title 'Reproductive Schemes.' The debt head as an account head is usually intended for accommodating transactions of a purely banking nature and should not be used as a vehicle for exhibiting transactions involving creation of concrete assets. I am accordingly taking the estimates relating to such expenditure also under capital. The estimates under our important capital works are the following :—

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